

Message Text

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ACTION ARA-10

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FOR S/P - DR. EINAUDI; ARA - MR. SHLAUDEMAN; TREASURY - MR.
MARESCA, L/ARA - MR. WILLIS

E.O. 11652: N/A
TAGS: EINV, BDIS, ENRG, PE
SUBJECT: GULF - CONTINUED ASSURANCES OF MOVEMENT--AND SOME
CONFUSION

REF: A. 76 LIMA 11455

1. SUMMARY: AMBASSADOR DEAN RAISED GULF CASE WITH FOREIGN
MINISTER, ECON OFFICER SPOKE WITH VICE MINISTERS OF FINANCE
AND MINING IN EFFORT TO HAVE GOP MOVE TOWARD SETTLEMENT.
FINANCE VICE MINISTER KEIL IS PREPARING STATUS REPORT ON
CASE FOR FOREIGN MINISTRY AND WE PLAN TO USE REPORT AS PEG

ON WHICH TO HANG DIPLOMATIC NOTE. KEIL AND MINES VICE MINISTER
TORD'S APPROACHES TO SOLUTION DIFFER AND WE ARE SEEKING
CLARIFICATION. IN SUM, NEW YEAR HAS NOT BROUGHT ANYTHING
NEW. END SUMMARY.

2. AMBASSADOR TOOK OCCASION OF YEAR-END RECEPTION FOR DIPLO-
MATIC CORPS TO RAISE GULF CASE WITH FOREIGN MINISTER DE LA
PUENTE AND MAKE POINT THAT RESOLUTION OF ISSUE PRIOR
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TO JANUARY 20 WOULD BE IMPORTANT STEP IN CONSONANCE WITH
ANNOUNCED PERUVIAN ASPIRATIONS TO ENJOY GOOD RELATIONSHIP
WITH NEW U.S. ADMINISTRATION FROM LATTER'S OUTSET. DE
LA PUENTE INDICATED HE UNDERSTOOD IMPORT OF AMBASSADOR'S
REMARKS AND SAID THAT GOP WAS WORKING TO RESOLVE THE CASE.

3. AMBASSADOR'S APPROACH TO DE LA PUENTE APPEARS TIMELY.

FINANCE VICE MINISTER KEIL INFORMED ECONOFF JANUARY 4 THAT HE WAS PREPARING STATUS REPORT TO FOREIGN MINISTRY ON GULF CASE, OUTLINING THREE ALTERNATIVES TO RESOLVE MATTER. ACCORDING TO KEIL, ALTERNATIVES ARE:

- A. PROMULGATION OF GENERIC DECREE LAW WHICH WOULD SET EXCHANGE RATE FOR ALL EXPROPRIATION CASES AT RATE IN EFFECT ON DAY OF EXPROPRIATION (THIS LAW WOULD ALSO AFFECT OTHER PENDING CASES);
- B. REVALUATION OF EXPROPRIATED GULF ASSETS AT CURRENT PRICES WITH SOL-TO-DOLLAR CONVERSION AT PRESENT EXCHANGE RATE (WHICH THEORETICALLY WOULD GIVE GULF DOLLAR COMPENSATION EQUAL TO THAT ORIGINALLY AGREED UPON IN DECEMBER 1975);
OR
- C. MOVE NEGOTIATION TO GOVERNMENT-TO-GOVERNMENT PLANE A LA MARCONA. KEIL SAID THAT FINANCE MINISTRY PREFERS ALTERNATIVE A AND WOULD SO RECOMMEND TO FOREIGN MINISTRY. ECON OFF OPINED THAT ALTERNATIVE A APPEARED TO BE BY FAR BEST APPROACH. KEIL SAID HIS REPORT WOULD GO TO FOREIGN MINISTRY BY JANUARY 5.

4. IN EARLIER CONVERSATION ON DECEMBER 30, KEIL REFERRED TO INTERMINISTRIAL COMMISSION WHICH HAD BEEN FORMED FOR GULF CASE AND SUGGESTED TO ECON OFF THAT FORWARD MOVEMENT MIGHT BE SPEEDED UP IF LATTER WOULD TALK TO KEIL'S COUNTERPARTS AT MINISTRIES OF FOREIGN RELATIONS AND ENERGY AND MINES. ECON OFF TOOK OPPORTUNITY LATER DECEMBER 30 TO DISCUSS GULF CASE WITH VICE MINISTER OF ENERGY AND MINES, ANTONIO TORD. ACCORDING TO TORD, GULF CASE WAS NEAR RESOLUTION, WITH GOP TO REVALUE EXPROPRIATED GULF LIMITED OFFICIAL USE

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ASSETS AS OF DECEMBER 31, 1976, AND TO MAKE PAYMENT TO GULF USING EXCHANGE RATE IN EFFECT ON THAT DATE (BASICALLY, KEIL'S ALTERNATIVE B). ECON OFF MENTIONED THIS TO KEIL DURING JANUARY 4 CONVERSATION AND NOTED THAT INFORMATION FROM TORD WAS AT ODDS WITH KEIL'S ASSURANCES OVER PAST MONTHS THAT GOP PREFERRED TO RESOLVE GULF VIA ALTERNATIVE A. KEIL ADMITTED EXISTENCE OF APPARENT DISCREPANCY BETWEEN HIS AND TORD'S INFORMATION AND PROMISED TO CONSULT WITH TORD AND TO PROVIDE US WITH CLARIFICATION.

5. COMMENT: A. WE ARE INTRIGUED BY APPARENT DISCREPANCY BETWEEN KEIL'S AND TORD'S VERSIONS OF GOP'S PREFERRED METHOD OF RESOLVING CAUSE OF DELAY IN GULF COMPENSATION PAYMENT. LACK OF COORDINATION BETWEEN PERUVIAN MINISTRIES IS NOT NEW, HOWEVER, AND WE BELIEVE THAT KEIL-TORD CONVERSATION WILL PROBABLY RESOLVE CONFLICT.
B. WE BELIEVE KEIL'S REPORT TO FOREIGN MINISTRY PROVIDES GOOD OCCASION FOR EMBASSY TO MAKE EFFECTIVE REPRESENTATION IN EFFORT TO EXPEDITE SETTLEMENT. ACCORDINGLY

WE ARE PREPARING DIPLOMATIC NOTE WHICH WILL INDICATE THAT
EMBASSY HAS BEEN INFORMED OF KEIL'S REPORT AND EXPRESS
USG INTEREST IN PROMPT SETTLEMENT. SINCE WE BELIEVE GOVERNMENT-
TO-GOVERNMENT NEGOTIATION (ALTERNATIVE C) WOULD GREATLY DELAY
FINAL RESOLUTION. OUR NOTE WILL URGE QUICK SETTLEMENT OF CASE, AND
EMPHASIZE OUR CONCERN LEST MATTER BY DEFAULT BECOMES SUBJECT OF
GOVERNMENT-TO-GOVERNMENT NEGOTIATION.

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